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NADA/ASSESSMENT/MAY 02/MFA WASHINGTON

POLITICAL ANALYSIS: PROBLEMS ON THE SOUTH AMERICAN WEST
COAST

1. BEGIN SUMMARY. THE DEVELOPMENTS THAT HAVE LED TO THE
PRESENT DEGREE OF TENSION AMONG THE WET COAST COUNTRIES OF
SOUTH AMERICA EXTEND BACK OVER A CENTURY. PERU'S CURRENT
EFFORTS TO ESTABLISH ITSELF AS THE DOMINANT WEST COAST

POWER HAVE ALARMED ITS NEIGHBORS AND HAVE PROVIDED A SOUTH AMERICAN FOOTHOLD FOR THE USSR, WHICH HAS BECOME PERU'S MAJOR SUPPLIER OF ARMS SINCE 1973.

2. ANALYSIS OF THE AVAILABLE EVIDENCE LEADS TO THE FOLLOWING CONCLUSIONS:

(A)--PERU HAS AND WILL MAINTAIN FOR SOME TIME ARMS SUPERIORITY, BUT IT WILL BE UNABLE, IN OUR JUDGMENT, TO EFFECT A DEFINITIVE SHIFT IN THE BALANCE OF POWER ON THE WEST COAST BECAUSE (1) IT LACKS THE ECONOMIC AND HUMAN RESOURCES, AND (2) THERE IS NO REAL, IMMINENT, EXTERNAL THREAT.

(B)--PERU'S ARMS PROGRAM WILL NEVERTHELESS SPUR A COSTLY AND DIVISIVE ARMS RACE WITH ITS NEIGHBORS AND COULD EVENTUALLY LEAD TO ARMED CONFLICT.

(C)--US INFLUENCE AND LEVERAGE IN THIS SITUATION IS REDUCED--SHARPLY IN COMPARISON WITH THE PAST. NEVERTHELESS, COUNTRIES WHICH FEEL THEMSELVES THREATENED (BOLIVIA, CHILE, AND ECUADOR) LOOK FOR PROTECTION FIRST TO THE UNITED STATES AND SECOND TO THE ORGANIZATION OF AMERICAN STATES (OAS).

(D)--THE ROOTS OF ANY SOLUTION OVER THE MID-TO LONG-TERM CONFIDENTIAL

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LIE IN SOUTH AMERICA ITSELF:

(1)-THROUGH THE EFFORTS (INCLUDING SELF-RESTRAINT) BY THE STATES MOST DIRECTLY CONCERNED (I.E., CHILE, PERU, ECUADOR, AND BOLIVIA);

(2)-THROUGH THE EFFORTS OF LEADING SOUTH AMERICAN STATES (E.G., ARGENTINA, BRAZIL, COLOMBIA, VENEZUELA); AND

(3)-WITH US SUPPORT (IF NOT LEADERSHIP). END SUMMARY.

3. BEGIN TEXT. GEOPOLITICAL "FAULTS" IN THE WEST COAST REGION:

4. RELATIONS AMONG BOLIVIA, CHILE, ECUADOR, AND PERU HAVE BECOME INCREASINGLY TENSE SINCE THE MID-1970'S.

(A)--THE BALANCE OF MILITARY FORCES HAS SHIFTED, AND CHILE NOW APPEARS VULNERABLE TO ATTACK BY PERU TO RECOVER TERRITORY AND/OR HONOR LOST IN THE WAR OF THE PACIFIC (1879-83).

(B)--ECUADOR FEARS THAT PERU WILL SEIZE ITS NORTHEASTERN OIL FIELDS.

(C)--BOLIVIAN POLITICKING FOR THE LONG-HELD NATIONAL GOAL OF GAINING A CORRIDOR TO THE SEA HAS INCREASED TENSION, AND BOLIVIA REMAINS OBSESSED BY IMAGINED THREATS TO ITS TERRITORY ARISING FROM ANY FUTURE PERU-CHILE CONFLICT.

5. INTERSTATE TENSIONS ARE NO NOVELTY IN WEST COAST AFFAIRS. GEOPOLITICALLY AS WELL AS GEOLOGICALLY, THE WEST COAST IS AN EARTHQUAKE ZONE. THE LAST "BIG SHOCK" WAS THE WAR OF THE PACIFIC. BUT SINCE THEN THE REGION HAS EXPERIENCED TREMORS, E.G., THE MARANON WAR (1941-42) FOUGHT BY
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ECUADOR AND PERU, THE STRUGGLE OVER THE LETICIA TERRITORY BETWEEN COLOMBIA AND PERU (1932-33), CRISES IN CHILE-PERU RELATIONS DURING DRAWNOUT NEGOTIATIONS IN THE AFTERMATH OF THE WAR OF THE PACIFIC FOR A TACNA-ARICA SETTLEMENT REACHED IN 1929), THE RIO LAUCA DISPUTE BETWEEN BOLIVIA AND CHILE (SINCE 1962), AND BOLIVIA'S EFFORTS TO GAIN SOVEREIGN ACCESS TO THE SEA (RENEWED SINCE 1974). ONLY THE LETICIA DISPUTE HAS BEEN DEFINITELY SETTLED.

6. ALL FOUR COUNTRIES ARE HYPER-REACTIVE AND INCLINED TO QUARREL WITH OR BE SUSPICIOUS OF THEIR IMMEDIATE NEIGHBORS. AS A GROUP, LOCATED AWAY FROM THE MAIN WORLD TRADE ROUTES, THEY ARE RATHER ISOLATED AND LACK RESOURCES THAT MIGHT DRAW THEM INTO THE MAINSTREAM AND OUT OF AN EXCESSIVE PREOCCUPATION WITH EACH OTHER. BOLIVIA AND ECUADOR, PARTICULARLY, ARE GIVEN TO WAVES OF EXCESSIVE FEAR--AT TIMES AMOUNTING TO NEAR PARANOIA--OVER THE ALLEGED AGGRESSIVE DESIGNS OF NEIGHBORING STATES.

7. AFTER WORLD WAR II, US DIPLOMACY HELPED ALLAY TENSIONS WHEN THEY THREATENED TO BUILD UP. AS US INFLUENCE IN THE REGION HAS DECLINED, AND RISING NATIONALISM HAS INSPIRED MORE ASSERTIVE POLICIES, OLD TENSIONS HAVE REVIVED.

8. PERU, THE DYNAMIC FORCE:

9. UNDER THE LEADERSHIP OF WHAT CAME TO BE KNOWN AS THE "EARTHQUAKE GENERATION" OF MILITARY OFFICERS, PERU AFTER 1968 RAPIDLY EVOLVED FROM A GENERALLY PASSIVE ROLE IN INTERNATIONAL AFFAIRS TO BECOME THE LEADING ACTOR IN THE WEST COAST REGION, A FIGURE ON THE THIRD WORLD STAGE, AND A VOCAL MEMBER OF THE NON-ALIGNED MOVEMENT. IN THE PROCESS,

IT BEGAN TO SEE NEW CHALLENGES AND OPPORTUNITIES IN EXTERNAL AFFAIRS, TO ASSERT NEW INTERESTS, AND TO DEVELOP NEW CAPABILITIES. PERU'S ACTIONS DURING THE PAST SEVERAL
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YEARS HAVE RAISED THE POSSIBILITY OF ANOTHER "BIG SHOCK" IN THE FORM OF ARMED CONFLICT.

10. PERUVIAN PURCHASES OF SOVIET ARMS. IN THE EARLY 1970'S THE ALLENDE REGIME SEEMED TO BE EVOLVING TOWARD A MARXIST-STYLE GOVERNMENT THAT WITH SOVIET AID COULD BUILD UP CHILE'S MILITARY FORCES AND THREATEN ITS NEIGHBORS. THE CHILEAN MILITARY REBUFFED THE SOVIETS, AND THEY TURNED TO PERU, PROBABLY BY EARLY 1973. AFTER THE FALL OF ALLENDE (IF NOT BEFORE), THE PERUVIAN MILITARY SAW AN OPPORTUNITY FOR THEIR COUNTRY TO GAIN UNCONTESTED SUPREMACY ON THE WEST COAST AND TO ACHIEVE A NATIONAL PRESTIGE THAT WOULD COMPENSATE FOR A CENTURY OF HUMILIATION AT THE HANDS OF CHILE.

11. PERU HAS ESTABLISHED A CLEAR ARMS SUPERIORITY OVER CHILE SINCE 1973 THANKS TO GENEROUS SOVIET AID. OVER HALF OF THE DOLS 1 BILLION IN ARMS ORDERED BY PERU SINCE 1973 HAS BEEN PROCURED FROM THE USSR. GROUND FORCE EQUIPMENT IS NOW PREDOMINANTLY SOVIET-SUPPLIED, INCLUDING ABOUT 300 MEDIUM TANKS, FIELD AND ANTI-AIRCRAFT ARTILLERY, SURFACE-TO-AIR MISSILE SYSTEMS, RADAR, 30 MI-8 HELICOPTERS, AND PLENTIFUL SUPPLIES OF AMMUNITION. GROUND FORCE ACQUISITIONS HAVE BEEN USED IN PART TO BUILD UP ARMY UNITS ALONG PERU'S SOUTHERN BORDER WITH CHILE. EXCEPT FOR SIX SOVIET HELICOPTERS ACQUIRED IN NOVEMBER 1972, THE AIR FORCE BOUGHT FROM WESTERN SUPPLIERS UNTIL JULY 1976. THEN, EVEN AS THE REGIME CAME MORE FIRMLY UNDER CONTROL OF MILITARY MODERATES, THE AIR FORCE PURCHASED 36 SU-22 SUPERSONIC FIGHTER-BOMBER AIRCRAFT, WHICH ARE SCHEDULED TO BE DELIVERED DURING 1977. THE SOVIET ADVISORY PRESENCE IN PERU--SOME 60 MILITARY TECHNICIANS--WILL CONTINUE TO GROW DURING 1977. AS MANY AS 50 TECHNICIANS WILL BE INVOLVED WITH THE ASSEMBLY AND MAINTENANCE OF THE SU-22'S, AND ADDITIONAL PERSONNEL WILL BE NEEDED TO SERVICE MISSILE AND RADAR SYSTEMS NOW ARRIVING IN PERU.

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12. PERU'S ARMS PURCHASES FROM THE SOVIETS HAVE BEEN NEGOTIATED IN A COVERT MANNER, ADMITTED ONLY AFTER DELIVERY HAS BEEN EFFECTED IF CONCEALMENT IS NO LONGER POSSIBLE OR, AS IN THE CASE OF THE SU-22'S, AFTER THE TRANSACTION HAS BEEN WIDELY PUBLICIZED. PERU HAS JUSTIFIED THESE ARMS ACQUISITIONS AS SIMPLY ACCEPTANCE OF THE MOST ADVANTAGEOUS DEALS BEING OFFERED BY FOREIGN SUPPLIERS TO REPLACE AND MODERNIZE OBSOLETE EQUIPMENT. THE GOVERNMENT HAS DENIED THAT IT IS DOING MORE THAN MODERNIZING THE ARMED FORCES.

13. CONCILIATORY DIPLOMACY. SINCE JANUARY 1974, PERU HAS PERIODICALLY APPEALED TO NEIGHBORING STATES TO JOIN WITH

IT IN ADOPTING ARMS CONTROL MEASURES. IT HAS ALSO SOUGHT TO APPEAR RESPONSIVE TO CHILEAN PROPOSALS TO GRANT BOLIVIA A CORRIDOR TO THE SEA THROUGH FORMER PERUVIAN TERRITORY JUST SOUTH OF THE BORDER WITH AT LEAST SEEMINGLY POSITIVE INITIATIVES OF ITS OWN. SINCE AUGUST 1975, UNDER PRESIDENT MORALES BERMUDEZ, PERU HAS BEEN VERY ACTIVE IN DIPLOMATIC EFFORTS TO CONVINCE OLD FRIENDS AND POSSIBLE CRITICS IN THE HEMISPHERE THAT PERU'S GOALS ARE PEACEFUL AND NOT THREATENING ITS NEIGHBORS. IT HAS ALSO TAKEN THE INITIATIVE IN AN EXCHANGE OF VISITS WITH CHILE WHICH IS DUE TO CULMINATE IN A TRIP BY MORALES BERMUDEZ TO CHILE LATER THIS YEAR.

14. DESPITE THESE EFFORTS, PERU HAS NOT SUCCEEDED IN PERSUADING ITS NEIGHBORS TO ACCEPT THE CHANGE IN RELATIVE MILITARY POSITIONS AS A FAIT ACCOMPLI. IT IS IN EFFECT TRYING TO RECONCILE THE IRRECONCILABLE, AS IS ILLUSTRATED BY THE FATE OF ITS INITIATIVE FOR ARMS LIMITATION. AT FIRST, THAT SEEMED MARGINALLY PROMISING, AND ANDEAN COUNTRY REPRESENTATIVES HELD DISCUSSIONS DURING 1975 AND EARLY 1976. HOWEVER, PERU'S PROPOSAL FOR EITHER A FREEZE OF INVENTORIES AT EXISTING LEVELS OR (PROBABLY UNENFORCEABLE) CEILINGS ON MILITARY EXPENDITURES DID NOT APPEAL TO OTHER
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ANDEAN COUNTRIES. IN RECENT MONTHS, AS PERU HAS CONTINUED TO ARM, ITS OFFICIAL REFERENCES TO THE NEED FOR ARMS CONTROL HAVE SEEMED DESIGNED SIMPLY TO DISARM NEIGHBORS' FEARS AND HAVE NOT ELICITED ANY RESPONSE.

15. DESPITE PERU'S REPEATED PROTESTATIONS OF PEACEFUL INTENTIONS, ITS ARMS BUYING HAS HAD A SEVERE IMPACT ON NEIGHBORING COUNTRIES. IT HAS SHAKEN THEIR FEELING OF RELIANCE ON THE ESTABLISHED ORDER AND HAS AROUSED CONCERN FOR THEIR OWN NATIONAL SECURITY AND TERRITORIAL INTEGRITY.

16. NEIGHBORS' ACTIONS. CHILE AND ECUADOR SEE THE MILITARY THREAT POSED BY PERU AS A MAJOR PROBLEM. (INDEED, THE CHILEAN GENERAL STAFF IS CONVINCED THAT WAR IS INEVITABLE.) BOTH HAVE RESPONDED TO PERU'S FORCE MODERNIZATION AND EXPANSION BY ARMING AS RAPIDLY AS THEIR RESOURCES AND SUPPLIERS PERMIT. BUT THEY HAVE BEEN HARD PRESSED TO FIND SUPPLIERS. THEY HAVE EXPERIENCED SEVERAL WAR SCARES--THE LATEST AND WORST IN DECEMBER 1976--AS PERU DEPLOYS (OR IS REPORTED TO DEPLOY) NEWLY EQUIPPED AND STRENGTHENED UNITS TOWARD ITS NORTH OR SOUTH BORDERS.

17. BOLIVIA FEARS BOTH CHILE AND PERU. IT HOLDS AS AN ARTICLE OF FAITH THE BELIEF THAT THEY WOULD INEVITABLY USE BOLIVIA AS AN INVASION CORRIDOR AGAINST EACH OTHER.

18. THE THREE THREATENED STATES HAVE TRIED TO IMPROVE

THEIR DIPLOMATIC POSTURE TO HELP COMPENSATE FOR THEIR MILITARY WEAKNESS. CHILE HAS SOUGHT TO COME CLOSER TO BOLIVIA BY OFFERING TO CEDE A CORRIDOR TO THE SEA AND HAS REINFORCED ITS TIES WITH ECUADOR. ALL THREE HAVE ENDEAVORED TO STRENGTHEN TIES OUTSIDE THE REGION. VIS-A-VIS THE US, THEY HAVE TRIED TO OVERCOME, OR OVERLOOK, SOMETIMES DIFFICULT ISSUES IN BILATERAL RELATIONS.

19. CHILE HAS NOT RESPONDED TO PERU'S CONCILIATORY MOVES
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WITH ANY SIGNS OF APPEASEMENT OR WITH ANY INDICATION THAT, BECAUSE OF PERU'S ARMS SUPERIORITY, IT IS DISPOSED TO ACCEPT THE ROLE OF AN INFERIOR POWER. IN NOVEMBER 1976, PERU COUNTERED CHILE'S REQUEST FOR APPROVAL OF ITS OFFER OF ACCESS TO THE SEA TO BOLIVIA BY OFFERING TO CEDE A CORRIDOR PART WAY TO THE SEA AND STIPULATING A TRIPARTITE BOLIVIA-CHILE-PERU CONDOMINIUM IN THE COASTAL SECTION OF THE CORRIDOR. THIS REPRESENTED A REAL ADVANCE IN THAT, SYMBOLICALLY AT LEAST, IT MIGHT BE TAKEN AS PERU'S FINAL GIVING UP OF REVANCHIST ASPIRATIONS TO REGAIN PROVINCES LOST TO CHILE IN THE WAR OF THE PACIFIC. HOWEVER, CHILE ABRUPTLY DISMISSED PERU'S OFFER AS LITTLE MORE THAN A CAMOUFLAGED VETO OF ITS OWN OFFER TO BOLIVIA AND DECLINED EVEN TO CONSIDER IT. SIMILARLY, ECUADOR HAS NOT RECEDED FROM ITS DEMANDS FOR A REVISION OF THE 1942 PROTOCOL, WHICH SETTLED IN PERU'S FAVOR LARGE TERRITORIAL CLAIMS IN THE AMAZON REGION.

20. CHILE, HAVING SO FAR FAILED TO DEVELOP ADEQUATE SOURCES FOR THE WEAPONS SYSTEMS THAT IT SEEKS, HAS NOT UNDULY ALARMED PERU BY BUILDING UP ITS OWN MILITARY FORCES. ECUADOR HAS EASIER ACCESS TO ARMS SUPPLIERS AND IN EARLY 1977 ALARMED PERU BY PROPOSING TO BUY 24 ISRAELI KFIR HIGH-PERFORMANCE FIGHTERS AT A COST OF DOLS 150 MILLION. CHILE HAS SPENT ABOUT DOLS 340 MILLION ON ARMS SINCE 1973--CHIEFLY FOR US AIRCRAFT (F-5ES AND A-37S) AND MISCELLANEOUS DEFENSE MATERIAL FROM BRAZIL. ECUADOR HAS SPENT SOME DOLS 200 MILLION IN THE SAME PERIOD. HOWEVER, NEITHER COUNTRY HAS BEEN ABLE TO PUT TOGETHER A COMPLETE AIR DEFENSE SYSTEM TO COUNTER PERU WHICH WOULD INCLUDE SURFACE-TO-AIR DEFENSE SYSTEMS WITH ASSOCIATED EQUIPMENT LINKED WITH ADVANCED INTERCEPTOR AIRCRAFT. THEY ARE EVEN LESS PREPARED TO TAKE THE OFFENSIVE. THUS, ALTHOUGH PERU VOICES FEAR OF ENCIRCLEMENT, TO DATE IT HAS LITTLE JUSTIFICATION FOR THESE FEARS.

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21. ON THE OTHER HAND, CHILE AND ECUADOR, ALTHOUGH

TROUBLED BY THE PERU PHENOMENON, DO NOT ACCEPT AS INEVITABLE A SHIFT IN POWER RELATIONS FAVORING PERU. CHILE, AT LEAST, IS DETERMINED TO PREPARE FOR AN EXTENDED PERIOD OF WAR THREATS, DIPLOMATIC CONTESTS, AND POSSIBLE ACTUAL ARMED STRUGGLE.

22. AS IT PROCEEDS TO ACQUIRE ARMS, CHILE MAY WELL DO ITS BEST (AT LEAST INITIALLY) TO EMPHASIZE PASSIVE DEFENSE SYSTEMS, FOR FEAR OF EXCITING PERUVIAN REACTIONS, AND GENERALLY TO RESPOND POSITIVELY TO PERUVIAN DEMONSTRATIONS OF GOOD WILL. ECUADOR, HOWEVER, SEEMS TO BE WILLING TO DEMONSTRATE ITS INTENTIONS OPENLY. THUS, IN THE NEAR FUTURE IT MAY ACQUIRE CONSPICUOUSLY HIGH-PERFORMANCE WEAPONS SYSTEMS, INCLUDING TYPES OF EQUIPMENT THAT WILL SPUR PERU TO YET FURTHER ARMS ACQUISITIONS.

23. BOLIVIA, WHILE EFFECTIVELY OUT OF THE ARMS COMPETITION, ADDS INSTABILITY TO THE REGIONAL SCENE BY ITS ACTIVE CAMPAIGN FOR AN OUTLET TO THE SEA, ITS PRECARIOUS BALANCING ACT BETWEEN CHILE AND PERU, AND ITS OBSESSIVE FEARS OVER VIOLATION OF ITS TERRITORY IN A CHILE-PERU WAR. FINANCIALLY POOR THOUGH RESOURCE-RICH, IT CAN ONLY SEEK TO AVOID INVOLVEMENT IN A FUTURE CONFLICT BY ASTUTE DIPLOMACY AND ECONOMIC TRADE-OFFS WITH ITS WEALTHIER AND BETTER-ARMED NEIGHBORS.

24. IMPACT ON PERU. THE WAR SCARE OF DECEMBER 1976, WHICH REFLECTED THE TENSIONS OF PERU'S NEIGHBORS AT REPORTS OF ITS ARMS PURCHASES AND TROOP MOVEMENTS BUT ALSO THEIR DETERMINATION TO OPPOSE ITS PRETENSIONS, FORCED THE PERUVIAN GENERALS TO ASSESS MORE REALISTICALLY THE POTENTIAL COST OF A WAR. IT MAY ALSO HAVE HELPED SHARPEN THEIR REALIZATION OF HOW LITTLE WOULD BE ACCOMPLISHED BY INCURRING SUCH COSTS. ON THE OTHER HAND, THERE HAS BEEN NO SIGN THAT THE PERUVIANS ARE PREPARED VOLUNTARILY TO CONFIDENTIAL

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FORGO FURTHER MAJOR PURCHASES OF SOVIET ARMS, HOWEVER CLEAR IT MUST BE THAT SUCH ARMS PURCHASES ARE AT THE ROOT OF THE PSYCHOSIS DEVELOPING AMONG PERU'S NEIGHBORS.

25. THUS, EVEN THOUGH PERUVIAN REVANCHISTS MAY HAVE LOST INFLUENCE AS A RESULT OF THE WAR SCARE, A CONTINUED PERUVIAN BUILDUP OF ARMS (TO BE ACCOMPANIED BY A DOUBLING OF ARMY MANPOWER) AND OTHER KINDS OF MILITARY EXHIBITIONISM HAVE CONTINUED TO SEND MENACING SIGNALS TO PERU'S NEIGHBORS. PERU SEEMS TO LACK ANY REAL APPETITE FOR WAR, BUT AT THE SAME TIME IT REMAINS DETERMINED TO KEEP WELL

AHEAD IN THE ARMS COMPETITION BECAUSE OF ITS INFERIORITY COMPLEX VIS-A-VIS CHILE AND ITS FEAR OF BEING "ENCIRCLED." THUS, IN EFFECT, PERU IS SETTING THE STAGE FOR EVENTUAL

CONFLICT UNLESS ARMS BUYING BY COUNTRIES OF THE REGION CAN BE LIMITED IN SOME WAY OR ANOTHER.

26. PERU'S LONG-RANGE INTERESTS AND LIMITATIONS:

27. THE PERUVIAN MILITARY REGIME MAY WONDER IF IT CAN FINISH WHAT IT HAS STARTED. IT PROBABLY DID NOT ADOPT THE PRESENT COURSE WITH ANY COMPREHENSIVE EVALUATION OF PERU'S BASIC INTERESTS AND CAPABILITIES OR WITH FULL RECOGNITION OF HOW STRONGLY ITS ACTIONS MIGHT CAUSE OTHER STATES TO REACT.

28. PERU DOES NOT HAVE THE ECONOMIC SUPERIORITY OVER CHILE THAT HAS ACCOMPANIED TRULY DECISIVE SHIFTS IN THE BALANCE OF MILITARY FORCES BETWEEN SOUTH AMERICAN COUNTRIES IN THE 20TH CENTURY. THE NARROW ECONOMIC LIMITS WITHIN WHICH PERU OPERATES HAVE BEEN EMPHASIZED BY ITS ECONOMIC NOSEDIVE BEGINNING IN 1974, DISAPPOINTING RESULTS FROM OIL EXPLORATION, AND A GENERAL NEED FOR RETRENCHMENT ON SOCIAL AND ECONOMIC REFORM MEASURES DESPITE POLITICAL PRIORITIES. MOREOVER, SOVIET AID, WHILE ASSURING INSTANT CONFIDENTIAL

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ARMS SUPERIORITY, MAY BE SADDLING PERU WITH FUTURE ECONOMIC BURDENS THAT WILL WORK AGAINST A REAL SHIFT OF POWER IN ITS FAVOR.

29. THE PERUVIAN MILITARY PROBABLY THOUGHT THAT ARMS SUPERIORITY BY ITSELF, ONCE ACHIEVED WITH SOVIET AID, WOULD ASSURE PERU'S NATIONAL SECURITY AND GUARANTEE ITS NEIGHBORS' RECOGNITION OF ITS DOMINANCE OF THE WEST COAST. REFLECTING THE ASSUMPTION THAT MILITARY DOMINANCE CAN BE ACHIEVED PAINLESSLY AND PEACEFULLY HAS BEEN:

(A)-PERU'S APPARENT HOPE OF REACHING AN ANDEAN ARMS CONTROL AGREEMENT THAT WOULD PERPETUATE PRESENT ARMS RATIOS FAVORING ITSELF;

(B)--ITS SLOWNESS TO ENGAGE IN WAR EXERCISES AND OTHERWISE TO HURRY THE ARMED FORCES ALONG TO FULLY OPERATIONAL CAPABILITY WITH THEIR NEW WEAPONS SYSTEMS, ALTHOUGH MUCH OF THE NEW EQUIPMENT HAS BEEN DEPLOYED FOR TWO YEARS; AND

(C)--THE EVIDENT RELUCTANCE OF MILITARY LEADERS TO ACCEPT THE CONCLUSION THAT WAR IS LIKELY ON THE PRESENT COURSE AND TO RECKON WITH THE POSSIBILITY THAT ITS BURDENS AND COSTS MAY BECOME INEVITABLE.

30. NOW THAT PERU'S ARMS SUPERIORITY HAS FRIGHTENED CHILE AND ECUADOR INTO TRYING TO ARM THEMSELVES, THE MILITARY REGIME WILL HAVE TO FACE THE NEED FOR OPERATIONAL USE AS

DISTINGUISHED FROM SIMPLE DISPLAY OF ITS NEW ARMS INVENTORIES IN PARADES AND MANEUVERS. THIS WOULD REQUIRE ADDITIONAL FINANCIAL OUTLAYS, GREATLY INCREASE ALREADY SUBSTANTIAL MILITARY SPENDING, AND IMPEDE ECONOMIC RECOVERY. MORE IMPORTANT, PERU WOULD HAVE TO BE READY TO ACCEPT A LARGE SOVIET MILITARY PRESENCE. BUT EVEN A THIRD AS MANY AS THE 3,000 SOVIET ADVISERS THAT THE CUBANS NEEDED TO
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DEVELOP THEIR FORCES WOULD EXCEED LEVELS THAT WOULD BE ACCEPTABLE IN TERMS OF PERU'S DOMESTIC POLITICS AND REGIONAL RELATIONS. THAT IS WHY PERU IS UNEASY AT SEEING ITS NEIGHBORS EVEN ATTEMPT TO CLOSE THE MARGIN OF ITS ARMS SUPERIORITY AND THUS, IN ITS VIEW, BRING CLOSER THE DAY WHEN IT MAY HAVE TO USE ITS ARMS IN ACTUAL COMBAT.

31. PROSPECTS:

32. THE WEST COAST REGION IS PROBABLY NOT DUE FOR A "BIG SHOCK" IN THE NEXT 1-2 YEARS, SUCH AS A CHILE-PERU ARMED CONFLICT OR THE EVOLUTION OF "ANOTHER CUBA" THROUGH SOVIET PRESENCE AND INFLUENCE IN PERU.

33. IN THE MID-TERM, ARMED CONFLICT BETWEEN CHILE AND PERU IS MORE LIKELY BECAUSE CHILE AND ECUADOR WILL BEND ALL EFFORTS TO RESTORE THE FORMER ARMS RATIO WITH PERU. IN ADDITION, A SIGNIFICANT SOVIET PRESENCE MAY EMERGE AS PERU SEEKS TO PREPARE ITSELF FOR WAR.

34. THE EFFORTS OF PERU'S NEIGHBORS TO ESTABLISH PARITY WITH IT--SINGLY OR JOINTLY--WILL PROVOKE IT TO MORE STRENUOUS EFFORTS TO DEVELOP FORCES FOR EXTERNAL OPERATIONS. PARTICULARLY IF CHILE AND ECUADOR TRY TO MATCH PERU'S HIGH-PERFORMANCE BOMBERS, ARMOR, AND ARTILLERY, THEIR ARMS PURCHASES WILL SUPPLY THE PERUVIAN MILITARY WITH A NEW MOTIVATION TO PREPARE FOR ARMED CONFLICT, INCLUDING PREEMPTIVE ATTACK. SUCH PERUVIAN EFFORTS ARE LIKELY TO INVOLVE A LARGER SOVIET PRESENCE IN THAT COUNTRY AND TO BRING ON CONFRONTATIONS; EVENTUALLY, THEY COULD PRODUCE THE "BIG SHOCK" OF WAR. THE SOVIETS PROBABLY WANT TO AVOID WAR BECAUSE OF AFTEREFFECTS THAT WOULD BE ADVERSE TO THEIR PRESENCE IN THE REGION BUT WOULD PROBABLY HAVE NO CHOICE BUT TO CONTINUE SUPPLYING PERU.

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35. THESE ACTIONS AND REACTIONS WOULD CAUSE DISTRESS AMONG, BUT PROBABLY NOT GALVANIZE, ARGENTINA, BRAZIL, COLOMBIA, AND VENEZUELA TO TAKE STEPS TO COPE WITH THE

CRISIS. THEY WOULD PROBABLY DEPEND UPON THE US AND THE OAS TO HANDLE THE PROBLEMS. IF PERU SEEMED TO BE SUCCUM-
ING TO SOVIET CONTROL, HOWEVER, THEY MIGHT MOVE TOWARD
USING POLITICAL ACTION IN AN EFFORT TO UNDERMINE THE
GOVERNMENT IN ORDER TO PREVENT A SIGNIFICANT SOVIET
PRESENCE FROM BEING ESTABLISHED ON THE SOUTH AMERICAN
CONTINENT.

36. PERU'S EFFORTS TO ACHIEVE AN ARMS STANDSTILL AGREE-
MENT WITH ITS NEIGHBORS WILL FAIL. CHILE AND ECUADOR
WOULD REQUIRE PARITY WITH PERU IN SUCH AN AGREEMENT TO
PERMIT THEM TO REGAIN SOMETHING APPROXIMATING THE ARMS
RATIOS OF THE EARLY 1970'S--BEFORE PERU BEGAN ITS MILITARY
BUILDUP. PERU WOULD NOT ITSELF CONSIDER SUCH AN ARRANGE-
MENT, WHICH WOULD FORCE IT EITHER TO MARK TIME UNTIL ITS
NEIGHBORS ACCUMULATED COMPARABLE ARMS HOLDINGS SOME YEARS
HENCE OR, EVEN LESS LIKELY, TO SCALE DOWN TOWARD THEIR
LEVEL.

37. BOLIVIA, CHILE, AND ECUADOR WILL FEEL THAT THE US HAS
AN OBLIGATION TO PROTECT THEM FROM PERU, ESPECIALLY
BECAUSE PERU HAS BEEN ARMED BY THE SOVIETS. HOWEVER
UNCERTAIN ABOUT US REACTIONS, THEY BELIEVE THAT THE US
SHOULD EITHER PROVIDE THEM WITH SECURITY GUARANTEES
(UNILATERAL OR THROUGH THE OAS) OR RESTORE THE BALANCE OF
FORCES AMONG STATES OF THE REGION. THEY APPARENTLY DO NOT
EXPECT THIRD-PARTY SOUTH AMERICAN STATES TO ACT IN PLACE
OF THE US, EITHER SINGLY OR IN CONCERT, ALTHOUGH THEY SEE
PROSPECTS FOR MULTILATERAL ACTION AT THE BEHEST OF THE
UNITED STATES.

38. ARMS COMPETITION MAY SPREAD BEYOND THE WEST COAST AS
CHILE AND PERU ESCALATE THEIR WAR PREPARATIONS AND THE
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POTENTIAL USE OF FORCE IN INTRACONTINENTAL RELATIONS
BECOMES INCREASINGLY "THINKABLE." IN THE LONG RUN, THIS
COULD PREDISPOSE OTHER LEADING SOUTH AMERICAN STATES TO
DEVOTE SUBSTANTIAL ECONOMIC RESOURCES TO THE DEVELOPMENT
OF TRULY MODERN ARMED FORCES WITH EXTERNAL DEFENSE CAPA-
BILITIES. IT COULD ALSO REINFORCE EXISTING TRENDS TOWARD
AUTHORITARIAN MILITARY RULE. END TEXT VANCE

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